



S.O.S.: STOP OVER-SPENDING ACT OF 2007



SPENDING RESTRAINT - DEFICIT REDUCTION - BUDGET ENFORCEMENT - FISCAL RESPONSIBILITY

The Facts on S.O.S.: **A Bi-Partisan Entitlement Commission**

Democrats, including Majority Leader Reid, previously criticized the Entitlement Commission provision of Senate Budget Committee Ranking Member Gregg's Stop Over-Spending Act, or S.O.S., for "shredding" Social Security or promoting personal accounts. Nothing could be further from the truth.

What does the Entitlement Commission Do?

The purpose of the bi-partisan, 16-member Entitlement Commission is to review the current and long-term solvency of Social Security, Medicare, and Medicaid. The Commission's only instruction is to ensure the solvency of the Social Security, Medicare and Medicaid programs

Three-quarters of the Commission, or 12 members, must agree to the solvency recommendations, before the Commission can report recommendations to Congress.

The Committee's report is subject to amendments both in Committee and on the Floor.

The report is considered under an expedited procedure, which ensures 50 hours of debate and a final vote on the measure in the Senate and the House and on the Conference Report should conferees agree.

A 60-vote majority required to proceed to final passage of the report guarantees bipartisanship agreement.

The Entitlement Commission is carefully constructed to allow for bi-partisanship. How?

o Bi-partisan Appointing Process

The bill requires that the President appoints two members, including the Secretary of the Treasury as chairman of the Commission. The Speaker of the House and Senate Majority Leader each appoint four members of Congress, and the House Minority Leader and Senate Minority Leader each appoint three members of Congress to the Commission. The Congressional Budget Office Director, the Social Security Actuary and the Center for Medicare Services Actuary are non-voting members.

o Bi-partisan Recommendation

The bill requires that any recommendations that come out of the Commission be supported by three-quarters of its members. This means at least 12 members of the Commission must support the proposal, more than the number of either party represented.

o Bi-partisan Senate Consideration

Following Chairman Conrad's suggestion, the bill requires a 60-vote motion to recommit prior to final passage of the bill or a conference report guaranteeing bipartisan support for the legislation.

o Bi-partisan Amendment Process

The bill includes language allowing members on both sides of the aisle to offer amendments to the legislative language that emerges from the Commission.

Why is S.O.S. Important?

○ **The unrestrained growth of the entitlements programs put our future economy at risk.** By 2030, the cost of Social Security, Medicare and Medicaid alone will exceed the total cost of government today. Specifically, all government expenditures represent about 20% of GDP today. Within the next 25 years, projections show that the total cost of these three programs will exceed 20% of GDP by themselves. Without needed reforms, these enormous increases in spending are likely to lead to some combination of massive tax increases and staggering cuts in other government expenditures like education, defense, the environment, etc.

○ **The looming retirement of the Baby-Boomers makes passage of this legislation critical.** The first Baby-Boomer will retire in 2008. As more and more people retire the burden on the taxpayer will continue to grow. The best way to demonstrate this burden is the ratio of workers to retirees. In 1960, there were 5.1 workers for every retiree. Today, there are 3.3. In 2035, there will be only 2.1 workers for every retiree, increasing the burden by more than 50%.

○ **Without action our children will not be able to afford the current retirement system.** The taxpayer is already feeling the strain of our rapidly growing entitlement programs. Over the next 10 years, the growth in mandatory spending programs will accelerate and by 2016 will amount to 70% of total government spending. Over the next 10 years:

- Social Security will grow on average 6% to \$1.02 trillion.
- Medicare will grow on average 7.4% to \$851 billion.
- Medicaid will grow on average 7.8% to \$410 billion.

These three programs alone will take up 56% of the total budget in 2016.

○ **Unfunded liability of entitlement programs is enormous and growing.** However, the current cost of these programs pales in comparison to the unfunded obligations our nation faces. According to experts, these three programs have total unfunded obligation of nearly \$69 trillion over the next 75 years. Medicare alone has an unfunded obligation of more than \$33 trillion.

Bottom Line:

The Entitlement Commission included in the *Stop Over-Spending Act* provides a bi-partisan opportunity to accomplish much needed reforms.